

Funding the Future

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Two [excellent letters in the Guardian](#) this morning on the fallacy of the government's claim there is a black hole in its finances and both from people I know and am working with:

Larry Elliott rightly sees the current panic about a “black hole” in public funding as demonstrating a fundamental misunderstanding of public economics ([The UK economy is about to be thrown into a black hole – by its own government, 2 November](#)).

As he points out, the widespread use of state money creation (quantitative easing) after the financial crisis of 2007-08 and the Covid pandemic fundamentally challenges the fairytale that the public sector is totally dependent on private funding. QE also challenges the assumption that public “money printing” automatically leads to inflation. The current inflationary spike comes from non-monetary factors: the war in [Ukraine](#) and the Covid slowdown.

The problem with Trussonomics was that it looked to the wrong agent of growth: trickle-down from the rich, rather than public investment. If there is a black hole that sucks in all the monetary energy, it is the gross accumulation of private wealth in fewer and fewer hands while public services are run down and more families are forced on to the breadline. An economics for the 21st century must thrust aside the ideological strictures of neoliberalism and develop the use of public money for the public good.

**Prof Mary Mellor
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What a relief to read Larry Elliott’s article and your Bank of England editorial ([2 November](#)) *showing that at least some people in the media are not, as John Keynes put it, “slaves of some defunct economist” or economic theory. There is indeed no black hole in the country’s economy requiring more austerity and tax rises. There is, however, a social and environmental hole in the economic solutions parroted endlessly by the rest of the media.*

As Elliott and your editorial showed, the Bank needs to stop putting up interest rates and instead reintroduce a massive QE programme, which predominantly funded the government deficits following the banking and Covid crises.

With an eye on the next election, it's time the opposition parties started to make this funding case. The next time they grill [Rishi Sunak](#) or Jeremy Hunt, they should demand that they explain exactly where the roughly £400bn injected into the economy during the Covid era came from, and whether it involved us being beholden to bondholders or being funded by huge tax increases. The answers to which are QE, no and no.
Convenor, UK Green New Deal Group

Speaking out is so important.